

## Message Text

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ACTION SCS-06

INFO OCT-01 AF-10 ISO-00 L-03 EB-08 COME-00 TRSE-00  
CIAE-00 INR-10 NSAE-00 CA-01 /039 W  
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R 171345Z AUG 78  
FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC 9430

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C O R R E C T E D C O P Y (TEXT PARA THREE)

E.O. 11652: N/A  
TAGS: EINV, ET  
SUBJECT: COMPENSATION CLAIM: ETHIOPIAN-AMERICAN COFFEE CO.  
AND SANTU ENTERPRISES, LTD.

REF: ADDIS ABABA 0014

SUMMARY: INFORMATION OBTAINED FROM E.W. HODGINS ON  
AUGUST 12, 1978 INDICATED NEITHER OF SUBJECT FIRMS  
HAS ACTUALLY BEEN NATIONALIZED BY PMGSE. CONSE-  
QUENTLY EMBASSY IS DELETING BOTH FROM ITS LIST OF  
VALID U.S. COMPENSATION CLAIMS AGAINST PMGSE.  
END SUMMARY.

1. DURING MEETING WITH EMBASSY OFFICER ON  
AUGUST 12, E.W. HODGINS VOLUNTEERED THE FOLLOWING  
INFORMATION.

ETHIOPIAN-AMERICAN COFFEE CO. (EAC) WAS A COMPANY ESTABLISHED  
AND OWNED BY RAS MESFIN (30 PERCENT) AND SOME 400  
(70 PERCENT) OTHER PRIVATE INDIVIDUALS, MOST OF WHOM  
RESIDED IN SAUDI ARABIA. THIS GROUP WAS COMPRISED MOSTLY  
OF AMERICANS, BUT INCLUDED ALSO INDIANS AND OTHER  
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NATIONALITIES. RAS MESFIN OBTAINED HIS 30 PERCENT SHARE  
OF THE COMPANY BY LEASING LAND TO IT FOR A 50-YEAR PERIOD  
(TITLE TO THE LAND REMAINED WITH RAS MESFIN). THE OTHER  
400 CONTRIBUTED ORIGINAL CAPITAL OF 350,000 BIRR  
(US\$175,000); LATER CONTRIBUTION BY THIS GROUP  
TOTALED NEARLY 2.5 MILLION BIRR (US\$1.25 MILLION).  
THE TOTAL CONTRIBUTION BY HODGINS WAS U.S.\$60,000;

THAT OF WILLIAM P. MARTIN WAS U.S.\$5,000. THE FIRM WAS ESTABLISHED TO DEVELOP AND OPERATE A COFFEE PLANTATION.

2. FOLLOWING SEVERAL YEARS OF DEVELOPMENT, THE PROJECT IN 1973 SEEMED READY TO GENERATE PROFITS FOR THE FIRST TIME. AT THIS POINT RAS MESFIN DECIDED HE WANTED THE ENTIRE OPERATION FOR HIS OWN AND, SUPPORTED BY NINE ARMED HENCHMAN, HE TOOK OVER. AS FAR AS IS KNOWN, RAS MESFIN, AND HE ALONE, BENEFITTED FROM THE OPERATION OF ETHIOPIAN-AMERICAN COFFEE CO. FROM EARLY 1973 UNTIL ON OR ABOUT NOVEMBER, 1974, WHEN HE WAS EXECUTED BY THE PMGSE. SUBSEQUENTLY, THE COFFEE PLANTATION WAS VIRTUALLY DESTROYED BY FIRE.

3. ACCORDING TO HODGINS, NO CLAIM HAS BEEN SUBMITTED TO THE COMPENSATION COMMISSION ON BEHALF OF EAC. HOWEVER, HE HAS DISCUSSED THE MATTER WITH THE COMPENSATION COMMISSION AND HAS BEEN TOLD THAT AS FAR AS THE PMGSE IS CONCERNED, THE PROPERTY NATIONALIZED BY THE PMGSE BELONGED TO RAS MESFIN. THE ADVICE OF THE COMMISSION TO HODGINS WAS THAT IF RAS MESFIN HAD ACTED IN AN ARBITRARY AND ILLEGAL MANNER, THEN THE PROPER COURSE OF ACTION BY HODGINS AND/OR OTHERS INVOLVED WAS THROUGH THE COURTS AT THE TIME.

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4. COMMENT: ON THE BASIS OF THE FOREGOING INFORMATION, IT APPEARS THERE IS NO FOUNDATION FOR A COMPENSATION CLAIM AGAINST THE PMGSE ON BEHALF OF U.S. INTERESTS INVOLVED IN EAC. UNLESS OTHERWISE INSTRUCTED BY THE DEPARTMENT, THE EMBASSY IS REMOVING THE ETHIOPIAN-AMERICAN COFFEE CO. FROM ITS LIST OF VALID U.S. CLAIMS.

5. SANTU ENTERPRISES LTD (SEL) IS A SMALL ELECTRIC UTILITY COMPANY ESTABLISHED IN 1972 BY TED SHATTO (35 PERCENT), WILLIAM P. MARTIN (35 PERCENT) AND AN ATO LEMA (ETHIOPIAN TOURIST ORGANIZATION) (30 PERCENT). TOTAL ORIGINAL INVESTMENT WAS US\$15,000; US\$8,000 WAS PROVIDED BY MARTIN AND US\$7,000 BY SHATTO; ATO LEMA PROVIDED NO CAPITAL. THE FIRM ACTUALLY WAS ESTABLISHED TO PROVIDE EMPLOYMENT FOR HODGINS WHO WAS BEING DETAINED IN

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ACTION SCS-06

INFO OCT-01 AF-10 ISO-00 L-03 EB-08 COME-00 TRSE-00  
CIAE-00 INR-10 NSAE-00 CA-01 /039 W  
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R 171345Z AUG 78  
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ETHIOPIA UNTIL HE COULD RESOLVE THE LEGAL DIFFICULTIES OF A TOURIST AGENCY HE OWNED. (HODGINS BECAME THE GENERAL MANAGER OF SEL.) IT WAS ALSO A WAY FOR HODGINS TO RECEIVE MONEY OWNED TO HIM BY SHATTO (US\$7,000) WITHOUT IT BEING IMMEDIATELY TAKEN BY THE PMGSE FOR DEBTS OWED TO IT BY HODGINS.

6. IN APRIL 1976 SANTU ENTERPRISES LTD. WAS TAKEN OVER BY THE LOCAL LIMU GENET REVOLUTIONARY COMMITTEE AND HODGINS WAS LOCKED OUT. UPON INQUIRY, HODGINS WAS TOLD BY THE COMPENSATION COMMISSION THAT SEL WAS TOO SMALL TO BE NATIONALIZED SINCE IT WAS VALUED AT LESS THAN 100,000 BIRR (US\$50,000). (SEL'S VALUE AT THAT TIME WAS ESTIMATED AT 75-80,000 BIRR, OR US\$37-40,000.) IN LIMU GENET, THE LOCAL DIRG REPRESENTATIVE THEN TOLD THE LOCAL REVOLUTIONARY COMMITTEE TO ALLOW HODGINS TO RESUME OPERATING SEL. AT THE TIME, ACCORDING TO HODGINS, HE MADE IT KNOWN THAT HE DID NOT REALLY CARE ABOUT REGAINING CONTROL OF SEL; ALL HE WANTED WAS TO BE ALLOWED TO LEAVE THE COUNTRY. NEVERTHELESS, HODGINS DID RESUME MANAGEMENT OF SEL (INCLUDING THE HANDLING OF ALL FUNDS, INCLUDING PROFITS) AND CONTINUED TO RUN THE COMPANY UNTIL MARCH 17, 1978, WHEN THE LOCAL MUNICIPALITY

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OF LIMU GENET TOOK OVER THE OPERATIONS AND LOCKED HIM OUT. THE MUNICIPALITY CONTINUES TO OPERATE SEL TO THIS DATE.

7. ACCORDING TO HODGINS, HE WAS TOLD BY THE COMPENSATION COMMISSION SUBSEQUENT TO MARCH 17, 1978 THAT SEL HAD NOT BEEN NATIONALIZED. HODGINS HAS ALSO SPOKEN TO LOCAL LAWYERS WHO HAVE ADVISED HIM THAT SEL HAS A LEGITIMATE LEGAL CLAIM AGAINST THE MUNICIPALITY OF LIMU GENET. HODGINS ALSO CLAIMED THAT HIGHER KEBELE NO. 2 IN ADDIS, WHICH HE SAID HANDLES MATTERS CONCERNING LOCAL AUTHORITIES, ADVISED HIM THAT HE HAD A LEGITIMATE CASE AGAINST THE MUNICIPALITY AND THAT IT WAS A MATTER FOR THE COURTS TO DECIDE. (HODGINS STATED TO EMBASSY OFFICER THAT ANY ACTION IN THE ETHIOPIAN COURTS WOULD PROBABLY BE INTERMINABLE AND NOT WORTH THE EFFORTS.)

8. HODGINS HAS OBTAINED AN EXIT VISA WITH THE HELP OF THE EMBASSY'S CONSULAR SECTION, AND WAS SCHEDULED TO LEAVE ETHIOPIA AUGUST 16. HE INTIMATED THAT ONCE OUT OF ETHIOPIA, HE WOULD PUT THE PAST BEHIND HIM AND TRY TO START ANEW SOMEWHERE ELSE.

9. ACCORDING TO HODGINS, SHATTO LEFT ETHIOPIA IN 1974, TURNING ALL HIS SHARES IN SEL OVER TO MARTIN AT THE TIME. MARTIN DEPARTED FROM ETHIOPIA IN JULY 1976. DESPITE PROMISES TO KEEP IN TOUCH, HODGINS HAS NOT HEARD FROM HIM SINCE. MARTIN WAS 72 YEARS OF AGE IN 1976, AND IF ALIVE, HE WOULD BE 74 NOW.

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10. COMMENT: ACCORDING TO THE INFORMATION SUPPLIED BY HODGINS, SANTU ENTERPRISES LTD. HAS NEVER BEEN NATIONALIZED BY THE PMGSE. ALTHOUGH SEL HAS BEEN TAKEN OVER BY LOCAL AUTHORITIES, HODGINS HAS LEGAL RECOURSE OPEN TO HIM AS GENERAL MANAGER OF THE FIRM. MARTIN, THE ONLY U.S. OWNER OF SEL, HAS MADE NO CLAIM FOR COMPENSATION, AND HIS WHEREABOUT IS UNKNOWN EVEN TO THE FIRM'S GENERAL MANAGER. ON THE BASIS OF THE FOREGOING, THE EMBASSY CONCLUDES SANTU ENTERPRISES LTD HAS NO CLAIM FOR COMPENSATION AGAINST THE PMGSE AND, UNLESS OTHERWISE INSTRUCTED BY THE DEPARTMENT, IS REMOVING THE FIRM FROM ITS LIST OF VALID U.S. CLAIMS.  
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## Message Attributes

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